



May 15, 2013

Honorable Senate Appropriations Committee members:

Michigan job providers are vehemently opposed to SB 335 (Kahn) which would increase health insurance costs for Michigan businesses and consumers by expanding the newly-enacted Health Insurance Claims (HICA) Tax. We ask that you oppose this uncompetitive tax increase on employers.

SB 335 would require Treasury officials to adjust the tax rate every 3 years to account for medical inflation. SB 335 would also eliminate the sunset that repeals the law on 1/1/14. While the mechanics of the proposal are unclear, we know that health expenditures have grown nationally by 3.9 percent in the last three reporting years and the rate is expected to grow to 7.4 percent in 2014 as a result of the coverage expansions under federal health care reform.

HICA was passed in 2011 as a replacement for the HMO Use Tax, which was the subject of federal scrutiny. The revenue from the HICA Tax is used to meet federal match requirements to fund Michigan's Medicaid program. While this tax has been in place less than one year, it has not met revenue expectations.

The Grand Rapids Chamber of Commerce, Michigan Chamber of Commerce, Michigan Manufacturers Association, NFIB - Michigan, Michigan Business and Professional Association and the Small Business Association of Michigan are opposed to increasing the HICA Tax and are opposed to an elimination of the sunset without a solution to the HICA shortfall. Businesses cannot operate in a state where there is no certainty in their tax obligations.

Michigan's job providers have shouldered the multi-million dollar HICA Tax burden. We are opposed to an uncompetitive and unpredictable tax increase. Please OPPOSE SB 335 and any increase in the HICA tax, which will only weaken Michigan's business climate and make it more difficult for employers to continue to offer coverage.

Sincerely,

Andy Johnston, Grand Rapids Area Chamber of Commerce
Bonnie Bochniak, Michigan Business and Professional Association
Wendy Block, Michigan Chamber of Commerce
Delaney McKinley, Michigan Manufacturers Association
Amanda Fisher, National Federation of Independent Business - Michigan
Dave Jessup, Small Business Association of Michigan